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### **Analysis for Enrolled Senate Bill 635**

**Topic:** Rental Housing Inspections  
**Sponsor:** Senator Garcia  
**Co-Sponsors:** Senators Barcia, Prusi, Gleason, and Jansen  
**Committee:** Senate Economic Development and Regulatory Reform  
House Committee on Intergovernmental, Urban and Regional Affairs

**Date Introduced:** July 17, 2007

**Date Enrolled:** December 18, 2008

**Date of Analysis:** December 16, 2008

**Position:** The Department of Labor & Economic Growth supports the bills.

**Problem/Background:** Some landlords of multiple-unit dwellings and rooming houses have complained that they are being used as a funding source by local governments that require periodic inspections of rental property within that jurisdiction. Fees are charged per housing unit, which can represent thousands of dollars for the local jurisdiction despite compliance with all housing requirements by the landlord. Some landlords also complain of duplication of effort as well as costs when they must be inspected by MSHDA or HUD anyway. To provide an incentive for good landlords, this bill was introduced to eliminate costly and unnecessary routine inspections, preferring instead to use a complaint-based model that would increase the frequency only because of complaints that can be verified.

### **Description of Bill:**

- The local governmental unit may issue up to a 6-year certificate of occupancy as provided by ordinance. This provision is now permissive, rather than requiring mandatory 5-year certifications as first introduced.
- The ways in which the authority may conduct inspections to ensure compliance were expanded from three to five ways; now, inspections may also be conducted on a compliance basis, so that if a landlord brings the property into compliance before a certificate of compliance expires, a new certificate may be issued for the maximum time allowed by ordinance; or on a percentage basis, so the local jurisdiction would only

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require a certain percentage of the units in a multiple dwelling to be inspected for compliance.

- The current limitation on inspecting multiple dwellings at intervals of two years is deleted.
- MSHDA and HUD inspections could be accepted by a jurisdiction as meeting local inspection requirements. A local jurisdiction is also authorized to conduct inspections by agreement or under the law for other agencies or authorities that require inspections under state or federal law.
- A new provision was added to exempt a property owner from an inspection fee if the local jurisdiction does not perform the inspection and the enforcing agency is the cause of the failure to inspect.
- A report is required of each enforcing agency or local governmental unit upon request, that reports the following:
  - Fees assessed by the agency in the preceding fiscal year.
  - Costs for performing inspections.
  - The number of units inspected.

The report is required within 90 days of the request. It may be produced electronically or a fee may be charged by the jurisdiction that covers the reasonable cost of providing the information, which must be outlined and included with the report.

## **Summary of Arguments**

**Pro:** The amendments can provide an incentive for landlords to keep their multiple-unit housing and rooming houses in compliance with local ordinances and requirements by allowing them to reduce the number of routine inspections and related fees if they comply with this legislation, and a local jurisdiction passes an ordinance to allow it.

The bill also provides relief for landlords who complained that they were sometimes charged fees when no inspection was actually conducted.

The bills provides flexibility for both the inspecting jurisdictions and landlords by allowing inspection of a percentage of the units in a multiple dwelling property to determine compliance, and allowing inspections conducted by state, local, or federal jurisdictions to qualify as meeting the requirements of another jurisdiction to the extent that local ordinances, interagency agreements, and law allow.

Limited government resources could be focused on problems rather than inspections for every property.

**Con:** Some landlords may not be satisfied with the legislation because it creates a permissive provision to allow the local jurisdictions to accept HUD or MSHDA inspections and to increase the number of years for certificates of compliance. If ordinances are not passed, the situation may not change.

Some local jurisdictions may object, even if an ordinance is passed, that six years is too long to go between inspections even if no one complains, because a property that is in compliance one

day may be out of compliance the very next day. Tenants may fear reprisals, and avoid filing complaints. Non-working smoke alarms are a common citation.

*Response: The other methods of inspection are still intact. If a landlord does not comply, other methods to require re-inspection may also apply.*

Some local jurisdictions may object to the creation of a report about their inspection program upon request. They will be required to capture information for a report whether anyone asks for it or not, and to compile the report within 90 days of a request. This might be considered an unfunded mandate.

### **Fiscal/Economic Impact**

**(a) Department-** There is no impact on the Department of Labor & Economic Growth.

**(b) State** There would be no impact on the state's budget or revenue.

**(c) Local Government** The bills are expected to have little or no effect on budget or revenues, as state law requires the local jurisdictions to develop inspection fees that reflect the expenses.

**Other State Departments:** No other departments have expressed concerns about the bill.

**Any Other Pertinent Information:** None.

**Supporters:** Supporters included the Apartment Association of Michigan, Property Management Association of Michigan, Property Management of West Michigan, Property Management of Mid-Michigan, the Washington Area Apartment Association, Wilson-White Management, and Village Green Management.

The original introduced bill was opposed by many local government organizations, but the Senate substitute substantially addressed their concerns. The Michigan Municipal League testified in the House that it was neutral.

**Administrative Rules Impact:** The bill does not include rulemaking authority.